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C O N F I D E N T I A L SECTION 01 OF 02 MOSCOW 001216

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DEPT FOR EUR/RUS, FOR EEB/ESC/IEC GALLOGLY AND WRIGHT  
EUR/CARC, SCA (GALLAGHER, SUMAR)  
DOE FOR FREDRIKSEN, HEGBORG, EKIMOFF  
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TAGS: [EPET](#) [ENRG](#) [ECON](#) [PREL](#) [RS](#)

SUBJECT: GREEK PM SIGNS SOUTH STREAM AGREEMENT, POLITICAL  
ISSUES ONLY BRIEFLY DISCUSSED

REF: A. MOSCOW 252

- [1](#)B. MOSCOW 222
- [1](#)C. 07 MOSCOW 5242
- [1](#)D. ATHENS 262
- [1](#)E. BUDAPEST 210
- [1](#)F. SOFIA 48

Classified By: Acting Econ MC Kathleen Doherty for Reasons 1.4 (b/d)

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SUMMARY  
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[1](#)1. (C) Greek Embassy Political Counselor Dimitrios Ioannou told us the South Stream (reftels) gas pipeline deal signed during Prime Minister Karamanlis's April 29-30 visit to Moscow contains "almost no specifics." He said the agreement calls for 50-50 ownership on Greek territory and for a decision on its future "within 24 months" of the completion of a feasibility study. He said there was "nothing memorable" about other issues discussed including Kosovo, FYROM, and the Burgas-Alexandropoulis oil pipeline (BAP). He was unaware of any discussion of Abkhazia/Georgia during the PM's visit. End summary.

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SOUTH STREAM  
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[1](#)2. (C) Ioannou called the April 29-30 visit of Prime Minister Karamanlis a success in achieving an introductory meeting with President-elect Medvedev and signing an inter-governmental agreement (IGA) on the South Stream gas pipeline. According to Ioannou, the South Stream IGA is merely a broad framework with few details, although "the lawyers spent many hours scrutinizing every word." He said Greece worked off the model provided by Bulgaria and Hungary (refs E and F), securing 50-50 ownership of the pipeline on Greek territory. President Putin and Karamanlis witnessed the signing of the deal by Russian Minister of Industry and Energy Khristenko and Greek Minister of Development Folias. The Greek partner in the pipeline is state-owned gas transport company, DESFA, with Gazprom owning the Russian half.

[1](#)3. (C) Ioannou said the only timeline in the agreement is a call for a decision on the future of the pipeline "within 24

months" of the completion of a feasibility study. The agreement also specifies the initial volume of the pipeline on Greek territory (10 bcm) and that Greece can use some unspecified amount for domestic consumption, with the rest transiting to other European countries.

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KOSOVO, FYROM, BAP, and GEORGIA  
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¶4. (C) Ioannou said the rest of the visit, which lasted less than 24 hours, produced "nothing memorable." He said Greece was satisfied with Putin's statement on FYROM, which recognized the need for an agreement between Greece and Macedonia. According to Ioannou, however, the Greek press generally found Putin's statement "too ambiguous." He described Russia's and Greece's positions on Kosovo as "not necessarily converging," even though Greece has not recognized Kosovo's independence. He said Putin reiterated Russia's opposition to Kosovo's independence, while Karamanlis reiterated Greece's wait-and-see approach and its concerns about Kosovo setting a precedent that may not be in Greece's interest. On BAP, Ioannou was vague, simply saying that Putin and Karamanlis agreed that it was "going well and was on schedule." Ioannou did not know whether Greek concerns over Russian presidential instructions expanding relations with Abkhazia and South Ossetia were raised.

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COMMENT  
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¶5. (C) Aside from the South Stream agreement, Karamanlis's visit appears to have been relatively uneventful. An IGA

MOSCOW 00001216 002 OF 002

with Greece on South Stream should be the final one Gazprom needs to proceed with its ambitious proposed pipeline. However, we note again that given the multiple jurisdictions involved and the legal, financial, and logistical complications the project faces, completion of the pipeline, as ref D also suggests, is many years away.  
RUSSELL